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Alka Doshi

To,
Smt. Nirmala Sitharaman,
Honourable Finance Minister,
Government of India,
North Block, New-Delhi- 110001

Reg-AD
01/09/2025

Sub: GST rationalisation for redevelopment projects in the Real Estate Sector

Ref: Representation from CREDAI with respect to GST in Real Estate Sector dated 23.08.2025

Respected Madam,

We, MCHI CREDAI are one of the chapters of CREDAI with representation of developers from Mumbai MMR region. We represent more than 40% of the residential real estate landscape of our country in value terms. We reiterate and re-affirm the need for re-look into the issues raised by CREDAI (National body of Developers) vide their letter dated 23.08.2025 which is attached herewith. In addition to the above we would like to raise another pertinent issue which is largely and predominantly affecting Developers of Mumbai MMR.

As you are aware, that Mumbai is a highly urbanised metro city with huge influx of people on a daily basis which is creating a huge deficit of housing in the city and adjoining areas. Due to the topography and island location of the city, the only way to create supply is through re-development of existing buildings. Notwithstanding the demand supply angle, thousands of old buildings in Mumbai are in a dilapidated condition posing a health and safety hazard to the people living therein. The Government of Maharashtra doesn't have the resources either in terms of financial/time/resources to undertake such redevelopment on its own and hence with a view to bring in private participation, have structured development control regulations through DCPR (Mumbai) and UDCPR (rest of the state) by incentivising redevelopment through private participation.

General Scheme of Redevelopment:

- 1) Developer executes DA/JV/TDR agreement with society of original occupants (as mandated by law with more than 51% consent of original occupants)
- 2) Developer vacates the plot by granting transit rent/ temporary accommodation to existing occupants
- 3) Developer constructs one or more buildings having a) permanent alternate accommodation for existing occupants (hereinafter referred to as Rehab Component) and flats/offices/shops constructed from sale component generated in lieu of construction of rehab component (FSI generated as per various incentive schemes ingrained in DCPR (development regulations for Mumbai) and DCPR (development regulations for rest of state of Maharashtra)
- 4) There is only ONE REVENUE STREAM and only ONE OUTPUT service i.e sale of under construction flats/shops/offices in open market (generated in lieu of rehab component as per provisions of law). The developer makes a profit by selling sale component and recovering all costs like cost of rehab construction, sale construction, rent, premiums, admin cost from the sale of such sale component.

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PRESENT GST TAX on redevelopment:

The GST department is charging GST 3 times on the same scheme of redevelopment with only 1 revenue stream and only 1 output service i.e sale of under construction flats/offices by developer from the sale component generated in the project in lieu of rehab construction as per provisions of law

- a) GST on Transfer of FSI/Development agreement/TDR/JV agreements executed between Developers and society of existing members/slum societies/mhada societies/association of persons etc.. For residential development this tax is deferred to after Completion (OC) on flats/shops/offices of the sale component unsold till OC to the maximum of GST so deferred on such agreements.
- b) GST of flats given free of cost to existing occupants/society members/mhada tenants/slum dwellers on a notional full market value as if these flats are sold by developers to the existing inhabitants. The input service of construction of rehab component is treated as an Output service and taxed as a separate service at full market value on basis of value of 1st transaction of sale component at the time of OC to rehab component.
- c) GST on under construction flats/offices sold in open market by the developers from the sale component generated in lieu of construction of rehab houses free of cost for existing inhabitants as per provisions of law.

FLAWED NATURE of Present GST regime on redevelopment:

- a) There is only one output service in the entire scheme of redevelopment and that is sale of flats/offices/sale component generated by developer in lieu of construction of rehab houses as per scheme of development ingrained in control regulations which is already offered to tax.
- b) TDR/Development agreements/transfer of FSI agreements tied to land and should be outside purview of GST. Even if they are construed as service then they are input service in the scheme of redevelopment and not a separate output service as purported by the department.
- c) Houses for rehab component are given free of cost and are essentially input service in the scheme of development. Treating them as a separate output service but contending that developers get FSI for sale from such service is absurd as the flats/shops/offices constructed from such generation of FSI as already offered to GST when under construction units are sold.
- d) FSI in most cases doesn't flow from Rehab portion but from the structure of the incentive based schemes.
- e) There is no ITC available in real estate and hence taxing every stage of redevelopment process as an independent notional output service at full notional market valuations while not providing an input of the GST so paid for each such notional service in the overall scheme of development just increases the cost manifold.
- f) The Vasantha Greens Judgement in the service tax regime still remains wherein the court had held that construction of rehab is for internal consumption where the output service is construction of sale component which is already offered for GST.

PROPOSED GST STRUCTURE for REDEVELOPMENT

- a) NO GST on JV/JDA/TDR/Transfer of FSI agreements executed as the same are tied to land and hence outside the purview of GST. Even if they are treated as a service, then it's an input service in scheme of redevelopment and not an independent output service.

- b) No GST on flats given free of cost to existing inhabitants/occupants/mhada tenants/slum dwellers/society members. The value of such flats and value of such service if at all is already subsumed in the value of flats sold in the open market from the sale component of developer and which is already offered to GST. It is not even an output service but only an input service for generation of sale component. If in the absolute worst case scenario it has to be treated as an independent output service, then value of service provided by developers to existing inhabitants is the additional area and refurbished flat. Hence GST should be charged at 1% on cost of construction of such flat (being the value of service) if the flat is less than 60/90 sq.mtrs and 5% of the flat is more than 60/90 sq.mtrs. Taking Notional market value as value of service for something which is given free is not fair to the scheme of development.
- c) GST @1% on value of under construction flats sold in open market from sale component of developer if flat is below 60/90 sq.mtrs in metro/non metro and 5% of value of under construction flats sold in sold open from sale component of developer if flat is above 60/90 sq.mtrs in metro/non metro.

Rapid re-development is the urgent need of the hour to accommodate millions of Indians shifting to urban centres creating a massive deficit in urban housing in such metro centres. This present regime of GST which a) notionally treats land transaction as service b) notionally treats input services as separate output services c) notionally attaches full market value as value of such input services by treating it as a separate output service and lastly doesn't even provide ITC for such GST paid at each stage for the same ultimate Revenue stream which is ultimately already offered to GST is causing redevelopment projects to becoming unviable. GST mechanism is today the single biggest hindrance to rapid redevelopment and there is a real need to understand the scheme of redevelopment and see it in its totality rather than parts and charge the only 1 REVENUE STREAM/OUTPUT SERVICE from the consolidated scheme of redevelopment i.e. sale of under construction flats/offices/sale component of the developers. We humbly urge you to take a re-look at the present mechanism and provide us with an audience wherein we can explain the nitty gritty of the scheme of redevelopment and how proper implementation of GST can really spur redevelopment in already developed urban areas which need redevelopment.

Thanking you,

Yours sincerely,
For CREDAI-MCHI



Sukhraj Nahar
President



Rushi Mehta
Hon. Secretary



Keval Valambhia
Chief Operations Officer

